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..C O N F I D E N T I A L SECTION 01 OF 03 PANAMA 000339

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SUBJECT: PANAMA: TORRIJOS SOCIAL PROGRAMS TO CONTINUE UNDER
NEXT ADMINISTRATION

Classified By: Classified by Ambassador Barbara J. Stephenson for reasons 1.4(b) and (d).

Summary

¶1. (C) Both leading presidential candidates have acknowledged the success of some social programs initiated during President Martin Torrijos' term, and have agreed to continue certain programs after the next administration is sworn in on July 1. Programs earmarked for continuity by ruling Revolutionary Democratic Party (PRD) candidate Balbina Herrera and Alliance for Change candidate Ricardo Martinelli include the Network of Opportunities ("Red de Oportunidades"), the Community Development Program (PRODEC), and the National Institute of Vocational Training for Human Development (INADEH). Although Torrijos's Agro Compita subsidized food program and the recently-inaugurated Farmacias Compita subsidized medication program are not mentioned in either candidate's government plan, both have publicly expressed support for them. Herrera has run on a platform stressing continuity, and she and senior administration officials constantly trumpet the PRD's hallmark social welfare successes under Torrijos's watch. Despite his "change" mantra, Martinelli is keen to piggy-back on Torrijos's social successes. End summary.

Popular social programs to live on

- The Network of Opportunities (Red de Oportunidades)

¶2. (SBU) The Network of Opportunities is a monthly conditional monetary transfer program that aims to reduce extreme poverty by facilitating access to education and healthcare for the poorest Panamanians. (A December 2008 report notes that more than 500,000 Panamanians -- out of a total population of about 3.3 million -- are "affected by" extreme poverty. UN statistics show a 11.7% extreme poverty rate.) Families enrolled in the Network receive a monthly stipend upon the conditions that children attend school and adults comply with medical appointments. A December 2008 report shows that the Network of Opportunities had spent a total of \$43 million on transfers to a growing number of families over two years. By the end of 2008, 70,599 families in 591 of 621 precincts (corregimientos) received transfers, which translates to about 400,000 total beneficiaries of the program. Last year the dollar amount of the transfers was raised from \$35.00 to \$50.00 per family per month. Extreme poverty is concentrated in the three indigenous comarcas (Ngobe Bugle, Kuna Yala, and Embera Wounaan), where \$18 million of the budget was spent. The remaining \$25 million

was allotted to the nine provinces that make up the country. As Torrijos noted in his March 1 "farewell" address to the National Assembly, enrollment into the program continues: 75,157 families and counting receive the transfer as of March 12009. Herrera lists raising the number of Network of Opportunity beneficiary families to 85,000 in her government plan's list of "100 Promises," and specifies expanding the program to reach all of the country's poor indigenous populations. She upped the ante in a recent interview by saying that she would extend the program to 150,000 families. Martinelli's Government Plan for Change explains that his administration would "deepen and improve" the Network of Opportunities, independent of the political clientelism that he says has marred the program and the Torrijos administration.

- The Community Development Program (PRODEC)

13. (C) Established in 2006, PRODEC is funded by \$50 million drawn annually from surplus Canal revenues. Its more than 3,000 grassroots infrastructure development projects are derived from community input gathered from site visits, or "public consultations," sometimes carried out by president Torrijos himself. PRODEC projects are largely aimed at improving roads, but also include projects to improve access to drinking water, rural electrification, and education infrastructure. Minister of Presidential Goals Luis Blanco, the defacto head of PRODEC, met with POLOFF and emphasized that although PRODEC has been criticized for moving slowly, projects worth about \$40 million have been completed. "The problem," Blanco said, "is that the projects need to be local, and there's a lack of local capacity to undertake the

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projects -- it is one thing to do a project here in the capital, but another in the rural areas. We want to bring infrastructure as well as employment to the lesser-served areas, but it is hard sometimes to find local people qualified to do the work." This, according to Blanco, explains why PRODEC has completed only 581 of the over 3,000 approved projects, and has spent only a portion of the \$200 million in its budget. Despite these difficulties, Blanco emphasized that PRODEC is geared toward helping each corregimiento in the country equally. Herrera's government plan is mum on PRODEC, but as it is a PRD-originated program Herrera would be unlikely to alter it as president. Martinelli proposes that "in addition to PRODEC's \$50 million, a fund be created from Canal revenues to improve the country's water access, with an emphasis on marginalized populations."

- The National Institute of Vocational Training for Human Development (INADEH)

14. (SBU) INADEH is a government-sponsored job skills training program that provides classes to any Panamanian free of charge. In 2008 INADEH invested \$92 million on its training programs, and in February INADEH held a ceremony to mark the 500,000th training certificate earned by an INADEH participant. INADEH has facilities throughout the country, and courses run the gamut -- from cooking to literacy to electronics -- but the Torrijos and the GOP put special emphasis on training in heavy-machinery operation to assist the Canal expansion effort. Herrera's governing plan includes a nod to "intensify" INADEH training programs to help generate employment; Martinelli's government plan discusses expanding INADEH to include administration and language training to improve human capital in the tourism sector, and a "corrections plan" aimed at assisting the reinsertion of criminals into society.

On board with Compita

15. (SBU) Two government-sponsored programs under the

"Compita" moniker make necessities available to poorer Panamanians at low prices. The GOP's Agricultural Marketing Institute purchases in bulk basic food products such as rice, lentils, flour, coffee, and oil and re-sells them to consumers under the Agro Compita brand at prices as much as 30% lower than the market price. The program was launched in the fall of 2007 to counter rising food prices and inflation.

Agro Compita "Econo-packs" containing a variety of food staples sell for \$9.45, and are available at periodic "Producer Fairs" throughout the country. Organizations can also make large requests for packs (e.g. to hand out to employees) via telephone. Three "Farmacias Compita," Ministry of Health-operated pharmacies, opened earlier this year to provide reduced-price medications to low-income Panamanians. Two pharmacies are in metro Panama City and together serve over 500,000 residents according to media reports. The third pharmacy is located in San Miguelito, a largely poor district outside the capital. Detractors call the program an election-year ploy designed to generate support for Torrijos's ruling Revolutionary Democratic Party (PRD). Herrera has praised and voiced support for the Compita programs; although they are not mentioned in his government plan, Martinelli has said publicly that he would continue the two Compita programs.

Comment

16. (C) Legacy-minded Torrijos administration officials tend to trot out in speeches and publications the updated numbers of families enrolled in the Network of Opportunities, or workers trained at INADEH as examples of positive social welfare initiatives. As the election approaches, the GOP has continued to trumpet its social development successes in an attempt to rally flagging public support for Herrera and the PRD. It is also no secret that Torrijos has his eye on running for president when he is next eligible in 2019. He views these social programs as an important part of his legacy and the recipients of the programs as core PRD-supporters down the road.

17. (C) But both Martinelli and Herrera are making grand social development promises. Martinelli is signaling that

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his "change" agenda does not necessarily extend to some of Torrijos's high-profile social development initiatives; but delivering on the "change" mantra while simultaneously keeping the current administration's popular programs up and running may be a challenge. If Martinelli wins, he is expected to replace the vast majority of the 15,000 PRD government workers with loyalists from the five parties that make up the Alliance for Change. But Post has not seen signals that the Martinelli camp is making preparations to fully assume the responsibility of governing the country and administering the social programs. The extent to which these programs have been institutionalized after only a few years in operation is unclear, but a disruption in service provision due to bureaucratic and leadership changes could be a serious gaffe for the new president.

STEPHENSON